

Q: How does a property owner appeal?

If a property owner believes his or her property was not correctly assessed, there are several options. First, contact the Township Assessor and ask to examine your property record card. Verify that all the data regarding square footage, number of rooms, basement, pool, etc., are correct. Point out any inaccuracies to the Assessor.

To appeal the Township Assessor's decision, a property owner must file a formal appeal with the County Assessor within **45 days** of official notification of the assessment.

Use **Form 130**, available from the Township or County Assessor. The appeal will be reviewed by the county's Property Tax Board of Appeals.

To appeal the county's decision, a property owner must file another appeal with the County Assessor within **30 days** of county decision. Use **Form 131**, available from the County Assessor. The appeal will be reviewed by the Indiana Board of Tax Review.

To appeal a decision of the Indiana Board of Tax Review, property owners may file a lawsuit with the State Tax Court within **45 days** of the decision of the Indiana Board of Tax Review.



Forms to petition your home's assessment can be accessed online at:
www.in.gov/dlgf

PROPERTY REASSESSMENT:



What Hoosier Homeowners Need to Know

Legislative ACTION

Q: What did the General Assembly do to help homeowners?

A: In 2002, the General Assembly restructured state and local taxes because it expected the new rules would increase residential property taxes. Four measures were enacted to cut property taxes and help protect homeowners:

The Homeowner's Exemption was increased from \$6,000 to \$35,000. With this exemption, a homeowner does not pay any property tax on the first \$35,000 (up to half) of a home's value. This progressive measure provides help for all homeowners, but especially helps those with lower valued homes.

A new 60 percent Property Tax Replacement Credit (PTRC) was created for the School General Fund Tax Levy. Combined with other credits, the state now pays about 85 percent of the cost of operating local schools.

The Homestead Credit was increased from 10 percent to 20 percent. With this credit, the state pays 20 percent of each individual's net property tax bill remaining after payment of the replacement credit for schools.

Finally, the General Assembly increased the assessed value levels below which seniors and World War I and Disabled Veterans are eligible for property tax deductions. This provision will help seniors and veterans retain their property tax deductions after reassessment. This was passed in the 2003 session.

Q: What was the cost of property tax relief, and how was it funded?

A: The increased Homestead Credit and new 60 percent school credit together provide about \$1.3 billion in property tax relief. These measures were expected to lead to an aver-

age statewide decrease in residential property taxes of 13 percent. Moving from an expected *increase* of 13 percent to an expected *decrease* of 13 percent was expected to provide a net tax decrease of 26 percent for homeowners. In order to provide funding for this property tax relief, the General Assembly increased the state sales tax by one penny on the dollar. There were also increases in cigarette and gaming taxes. That was the plan – increase the sales tax to decrease property taxes.

Q: Did the General Assembly intend to help?

A: Yes. The General Assembly intended to keep a tax relief commitment to homeowners.

The budget for Fiscal Year 2004 passed earlier this year dedicates about \$3.5 billion – nearly one-third of the total General Fund Budget – for property tax relief. All of the 2002 revenue increases pledged for property tax relief are being used for that purpose. If not for the relief passed by the General Assembly in 2002, taxpayers would be paying an additional \$1.3 billion per year in property taxes. The General Assembly intended to provide relief with the 2002 tax restructuring. Had the General Assembly not acted, it was estimated that average tax bills for homeowners would be about 21 percent higher.

Q: Is the General Assembly working to address some of the problems?

A: Yes. The General Assembly is working to amend the Indiana Constitution, which requires that property be uniformly assessed. This has made it difficult to target tax relief. However, the General Assembly has passed resolutions in each of the two past sessions to amend the constitution to permit exemption of certain real property, including residences from the property tax. In order to become effective, the provision must now be approved by a majority of voters in a public referendum. If the constitution is amended, it will ease the restriction that now requires uniform and equal rates of assessment and taxation. This will make it easier for the General Assembly to enact targeted tax relief if it is determined that some taxpayers have been treated unfairly.

Q: Why is property assessed?

A: Property is assessed to determine its value for tax purposes. After total assessed value for all property in a taxing district (for example a library, township, school, sanitation district, etc.) is determined, a tax rate is established for each district. The assessed value for each property is multiplied by the tax rate to determine how much property tax each person pays.

Q: Why is property re-assessed?

A: Property values change over time. Reassessment helps insure that tax bills reflect changes in property values so taxes are spread fairly among all property owners.

Therefore, assessed values lacked meaningful references to actual property values. This led to a situation where business property was generally over-assessed, while residential property was generally under-assessed. In addition, homes with similar market values located in different parts of the state, or even different townships in the same county, had significantly different assessed values. The court said this was unfair and unconstitutional.

Q: When did the DLGF issue new rules?

A: In May 2001, nearly five years after the Tax Court first found the old assessment system to be unconstitutional, the governor approved new rules adopting a market value based assessment system. (The governor also approved new rules for the assessment of business and utilities)

disincentives for capital investment at a time when the state was already leading the nation in manufacturing job loss.

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Q: Why are older homes getting hit harder than newer ones?

A: Under the old rules, homes were treated as depreciating assets. As a home got older, its assessed value dropped relative to new construction. Thus, many older homes were under-assessed. Under a market value system, age is not a significant factor. The condition the property is in is more important. The decision to base assessments primarily on market value and ignore mitigating factors such as depreciation or high maintenance costs hits older homes in good neighborhoods especially hard.

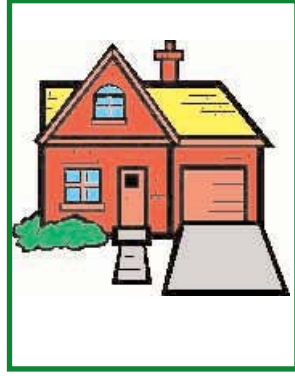
Q: Could taxes increase for a newer home?

A: Yes. Under the old rules, local assessors had broad discretion to assess homes more favorably than other types of property. Under the new market value system, assessors no longer have this discretion. So, the

assessed value of any property regardless of age could increase if it loses a favorable assessment.

Q: What was the problem with the Homestead Credit?

A: Earlier this year, it was discovered the state had been over-paying counties for the Homestead Credit. When the DLGF made the correction in favor of the state, it diminished the value of the credit from 20 percent to about 15 percent. This cost homeowners statewide about \$120 million per year in property tax relief and reduced the expected drop in average residential taxes from 13 percent to 8 percent.



Q: Why can't we just eliminate property taxes?

A: Indiana, like almost every other state, has traditionally relied on property taxes to operate local government and schools. The total statewide net tax levy for 2002 was more than \$5.3 billion. It would be very difficult to raise that amount of money by other means. For instance, total sales tax collections are about \$4.9 billion per year. If the sales tax were doubled from 6 percent to 12 percent, the increased revenue would not be sufficient to totally replace the property tax.

Q: Could anything have been done differently with reassessment?

A: In 1998, when the court ruled the old system was unconstitutional, the state had combined reserves of about \$2 billion. This gave the administration both the time and the money to implement new rules and develop a plan to target property tax relief. Senate Republicans strongly urged the administration to proceed with reassessment in a timely manner. However, the administration did not adopt its new market value rules until 2001. Had reassessment progressed while the state had healthy reserves, there would have been time to target tax relief more effectively, or at least phase in some of the more significant tax increases.

Q & A: Property Reassessment

Q: How do we use property taxes?

A: Property taxes are used by local government and schools to pay teachers, build schools and other buildings, for parks, police and fire protection, libraries, poor relief and other municipal and school functions. State government receives less than one tenth of a percent of all property taxes collected.

Q: Why do people say this is a "court-ordered reassessment?"

A: In 1998, the Indiana Supreme Court ruled on a 1996 Tax Court decision that the old assessment system was unfair and unconstitutional. This ruling found that some taxpayers were paying too much property tax, while others were not paying their fair share. Accordingly, the court mandated the Department of Local Government Finance (DLGF) to develop new rules and reassess all property.

Q: What was wrong with the old system?

A: Under the old rules, assessors were not required to link assessments to objective standards such as market value.

Q: Did the court say Indiana had to adopt a pure market based system?

A: No. The court left the door open to consider other relevant factors; however, the DLGF opted to adopt a pure market value based system. (The DLGF was formerly the State Tax Board.)

Q: Why is this reassessment so unusual?

A: This is the first time property is being reassessed under the new market value rules.

Q: How were the new rules expected to impact property taxes?

A: The bipartisan Legislative Services Agency estimated the new market value rules would increase average statewide taxes for homeowners by 13 percent. Although average property taxes for business were expected to drop by about 10 percent, the new rules included provisions on inventory and work-in-progress that business said would have created

Homeowners in some counties are seeing big increases. Part of the intended statewide average 13 percent reduction (see reverse side: "Legislative Action") has been eroded by correction of the way the state calculates the Homestead Credit.

It also appears some local officials and schools are using the reassessment process to push through unusually large property tax increases. In the 53 counties that have completed reassessment and mailed tax bills, there has been an average increase in total countywide property taxes of about 13 percent. Some county tax increases are largely offsetting the tax relief provided by the one-cent increase in the sales tax.